

BETTY T. YEE, BOARD MEMBER STATE BOARD OF EQUALIZATION

Serving the 8.5 million Californians of the First Equalization District, comprised of 21 counties along the northern and central California coast, including the entire San Francisco Bay Area.

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JUNE NEWSLETTER

WE ALL HAVE STAKES IN THE SCHOOL DROPOUT RATE

As thousands of families are celebrating graduation this month, many will not. The California Department of Education reports that graduation rates are increasing and the dropout rate is declining. This is good news for families. However, the overall dropout rate has gone from 24 percent in 2008 to 14.4 percent in 2011, but those numbers don't tell the whole story.

A problem with the overall 14.4 percent dropout rate is that it disguises the significant disparities in dropout rates among communities; the higher dropout rates for African American and Latino students, 24.7 percent and 17.7 percent, respectively; and the shocking dropout rate of close to 60 percent for children in foster care.

Students who dropout suffer consequences that reverberate throughout all of society. They suffer greater rates of unemployment, are less able to contribute to the tax base, are more prone to resort to criminal activity, and often must rely on publicly funded programs for basic subsistence and health care.

The unemployment rate for high school dropouts in 2011 was 19.6 percent, compared to 12.2 percent for high school graduates, 5.3 percent for

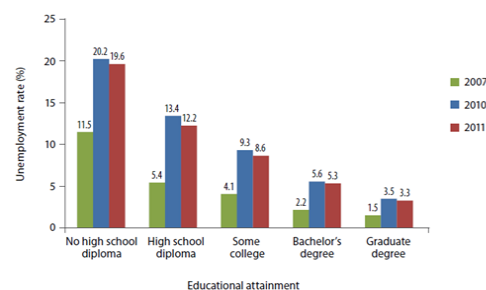
those with bachelor's degrees, and 3.3 percent for those with graduate degrees. The data is clear and compelling that dropping out of high school costs our young people in employment opportunities, and those losses tend not to ever get mitigated later in life.

On average, high school graduates earn more than high school dropouts. They earn about \$290,000 more over a lifetime, paying \$100,000 more in federal, state, and local taxes. However, the earnings gap between high school graduates and those with a bachelor's degree widens much more dramatically. A bachelor's degree holder earns over 89 percent more than one with just a high school degree, resulting in over \$1 million difference over a lifetime.

According to the Public Policy Institute of California, in its January 2013 study, "California Workforce: Planning for a Better Future," projections for 2025 suggest that the economy will continue to need more highly educated workers, yet the state will not be able to meet the demand.

If current trends persist, only 35 percent of working-age adults will have at least a bachelor's degree in 2025, but 41 percent of jobs will require at least a bachelor's degree –

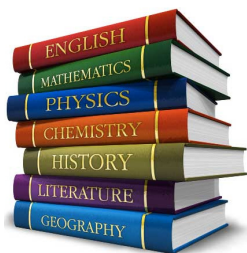
UNEMPLOYMENT RATES ARE MUCH LOWER FOR COLLEGE GRADUATES



SOURCE: March CPS, all civilians in the labor force, restricted to

a shortfall of one million college graduates. Those students who drop out at the high school level will not be able to share in the opportunity to supply this demand.

The Governor's education budget proposes giving more funding to schools with students who are not native English speakers, economically disadvantaged, or are in foster care. This may be a good start to addressing students most at risk of dropping out. California will benefit from helping all young people succeed in high school so they may meet the demands of tomorrow's economy and contribute to our economic health. Beyond the economic benefits, society benefits from reduced dropout rates with improved quality of life, and more experiencing greater security and opportunity.



To learn more about services provided by the State Board of Equalization, please call my office or visit my web site at: www.boe.ca.gov/members/yee

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GOVERNOR RELEASES MAY REVISION TO 2013-14 STATE BUDGET

Last month, Governor Brown released the **May Revision** to his existing 2013-14 state budget.

May Revision examines the incoming levels of state revenues, the state's fiscal obligations and other economic factors so far and makes adjustments accordingly. It gives the Legislature and the public a more realistic picture of the state's monetary health.

After two years of painful spending cuts and the new revenue provided by the passage of Proposition 30, the state budget is projected to remain balanced for the foreseeable future. Since January 2013, California saw a multibillion dollar increase in the current-year cash receipts.

Changes to the budget in this May Revision include:

More Funding for Education: Public education will increase \$2.9 billion in the current fiscal year under the Governor's plan. From 2011-12 to 2016-17, school funding will go from \$47.3 billion to \$66.5 billion, according to the May Revision.

Budget Increases Funding Per Student

	2011-12	2016-17	Funding Increase
K-12 Education	\$7,175	\$9,929	\$2,754
Community Colleges	\$4,893	\$6,396	\$1,503
California State University	\$5,868	\$7,803	\$1,935
University of California	\$10,630	\$13,121	\$2,491

In January, the Governor proposed the Local Control Funding Formula (LCFF), a complete overhaul of how California spends its money on schools. The LCFF creates a more just allocation of resources and allows local schools to be more flexible in their spending on education. The May Revision to the LCFF provides further funding for those students who need more resources and support — English language learners, students from low-income families, and foster youth.

The LCFF would spend 80 cents of every dollar on a base grant for every student; 16 additional cents for every English learner, low-income student, or foster child in a district; and 4 more additional cents per child for those school districts that have a particularly high concentration of English learners, students from low-income families, or foster youth.

Medi-Cal: One out of every five Californians receives Medi-Cal, the California Medical Assistance Program that serves low-income families, seniors, and persons with disabilities. Now that the implementation of the federal Affordable Health Care Act is underway, the Governor has called for expanding Medi-Cal to cover low-income adults who currently are not eligible. The May Revision proposes that counties take on more financial responsibility for certain human services programs.

Economic Development: The May Revision seeks to encourage job growth and economic development by improving existing programs and expanding certain tax exemptions and credits. Currently, the 25-year-old Enterprise Zone program offers tax breaks and wage subsidies to employers in 42 economically disadvantaged areas throughout California. The Governor's proposal would provide tax breaks and wage subsidies in areas based on the latest census data, instead of relying on zones drawn on a map.

The Equipment Sales Tax exemption is another proposal under consideration which would allow businesses purchasing manufacturing equipment, research-and-development equipment, testing equipment, special buildings, and foundations necessary for manufacturing to waive the state sales tax.

Legislative Analyst's Office Response to the May Revision.

While May Revision forecasts that weaker tax collections in the coming months will erode the vast majority of the \$4.5 billion of unexpected tax revenues collected since January, the Legislative Analyst's Office (LAO) does not agree with the administration's view of the state's revenue situation.

The LAO forecast is \$3.2 billion higher than the May Revision's totals for 2011-12, 2012-13, and 2013-14 combined. LAO observes that Governor Brown's forecast does not take into account recent stock market gains that, even if those gains stay flat for the remainder of 2013, would provide a boost to state revenue collections the coming months.



A GENERATION OF AMERICANS SADDLED WITH STUDENT LOAN DEBT

The student loan debt crisis is a drag on the United States economy and threatens to leave this and future generations of college graduates with fewer opportunities than those who came before them. Saddled with burgeoning debt obligations, many recent graduates find themselves limited in making economic gains once they find employment. A recent study from the Federal Reserve Bank of New York clearly demonstrates the extent to which this debt crisis is affecting this generation. The study found that 43 percent of 25-year-olds had student debt in 2012, up from 27 percent in 2004. In the same period total student loan debt has nearly tripled, fast approaching \$1 trillion.

The study estimates that nearly 18 percent of borrowers now have student loan debts of \$25,000 to \$50,000, and nearly 4 percent have balances greater than \$100,000. For many students, this debt is beyond their ability to repay. Almost 17 percent of student-loan borrowers were 90 days or more behind in their payments at the end of 2012.

Why the dramatic increase in student loan debt?

Across the nation, increases in tuition have been coupled with cutbacks in government

funding of higher education. The Great Recession hit borrowers particularly hard. Tuition costs at public universities increased by 27 percent in the past five year years. In California, inflation-adjusted tuition more than doubled at community colleges, and increased by more than 70 percent at four-year public schools, from 2007-8 to 2012-13.

The problem gets worse when one considers that many students have taken out private loans from banks or other for-profit institutions that come with high interest rates, high monthly payments, and few protections for borrowers. Additionally, student debt is not likely to be discharged in bankruptcy proceedings.

Exacerbating the current student debt repayment is a fact that student loan interest rates on Stafford Loans are set to double – from 3.4 percent to 6.8 percent – on July 1 unless Congress and the President reach an agreement. Stafford Loans are **federal student loans** made available to college students to supplement personal and family resources, scholarships, grants, and work-study. Nearly all students are eligible to receive Stafford loans regardless of credit. The interest rate



was cut by Congress in 2008 as a temporary measure to assist student debtors, and was extended for additional year last summer.

Investing in the next generation is vital to the economic vitality of America. We must not turn our backs on the future workers of our nation, saddling them with insurmountable debt. As the economy improves, the federal government and states have the opportunity to respond by restoring cuts to higher education and moving to ease the process by which student loan debt is repaid.

SMALL BUSINESS CORNER: THE RESTAURANT INDUSTRY

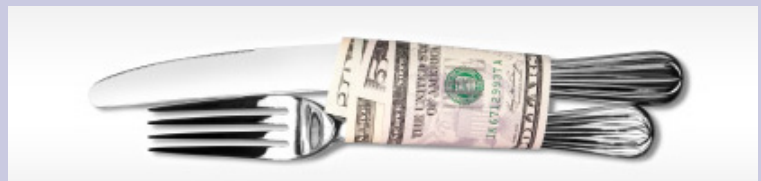
We are launching a new regular feature called Small Business Corner. Look here each month for articles highlighting issues, tools and resources of interest to small business owners.



Those of you in the restaurant business are often the first to see signs of an economic downturn. When people are feeling financially insecure, they are less likely to dine out, or go on vacation where eating out is usually a three meal-a-day expenditure. Businesses may put off holding conferences that bring out of town visitors who fill your tables.

Upticks in the restaurant business often indicate an overall economic improvement. A recent report from the United States Department of Labor indicates over 400,000 jobs were added in the hotel/restaurant/entertainment category over the past 12 months. In the Bay Area, hotels and motels added 900 jobs, and are experiencing both rising rates and higher occupancy levels. Strong hotel markets correlate with strong restaurant markets.

The Board of Equalization recognizes that understanding tax issues related to your industry can be time-consuming and complicated. Our **website** features many **resources specific to restaurants**. Publication 22, “**Dining and Beverage Industry**” is full of useful information to help you understand California’s Sales and Use Tax Law, and our **restaurant resource page** offers information on tips and gratuities, coupons, food sold to-go, employee meals and more.



JUNE IS LGBT PRIDE MONTH

The rainbow flags are flying this month in celebration of lesbian, gay, bisexual, transgender (LGBT) pride. There is much to cheer about this year. Same sex couples in 12 states and the District of Columbia can now enter into a legal marriage. And in California legislative bills recently passed to protect LGBT youth from bullying in school, stop gay reparative therapy on minors, and to require inclusion of LGBT contribution to our culture and history in school curriculum. In addition to recognizing these legislative and legal victories, LGBT Pride month is also about enjoying parades, festivals and the freedom of the LGBT community to joyfully express their identity and to celebrate their contribution to society.

THE ROOTS OF LGBT PRIDE MONTH

LGBT Pride month originally commemorated the 1969 Stonewall riots in Manhattan. The Stonewall Inn was a popular gay bar in Greenwich Village. New York law, as well as laws in many states, prohibited homosexuality and police regularly and violently raided gay bars. On June 27, 1969, police descended on the crowd at the Stonewall Inn, but instead of dispersing as ordered, the Stonewall patrons fought back police. A riot ensued. As news of the uprising spread across the city, customers of the Stonewall Inn were soon joined by hundreds of other gay men and women. Though riot police managed to break-up the growing angry crowd, their success was only temporary. Thousands of people returned to the Stonewall to continue the protest for several days in what became a galvanizing event in the fight against discrimination and for the civil rights of LGBT people.

AMERICAN INDIAN TRIBAL ISSUES



Sales and purchases of tangible personal property involving American Indians and sales on Indian reservations are unique. The Board of Equalization is committed to providing business owners with the information they need to do business with American Indians on Indian land so they can be in compliance with the law, and avoid penalties. The BOE website has a [page with comprehensive information](#) about the sale and purchase of tangible personal property involving American Indians and sales on Indian reservations, sales and use tax regulations, construction contracts on Indian land, exemption certificates and more.

BASIC SALES AND USE TAX SEMINARS AND EFILE CLINICS

The Board of Equalization (BOE) offers free Basic Sales and Use Tax (BSUT) seminars and eFile clinics in different languages including English, Spanish, Chinese, Vietnamese and others to provide in-person support to taxpayers. A full list of [BSUT classes and eFile clinics](#) being offered in the First Equalization District can be found on the website.

June 6:	Basic Sales and Use Tax Seminar in English (San Francisco)
June 6:	Basic Sales and Use Tax Seminar in Spanish (Salinas)
June 11:	Basic Sales and Use Tax Seminar in English (San Jose)
June 11:	Basic Sales and Use Tax Seminar in Spanish (Fairfield)
July 2:	Basic Sales and Use Tax Seminar in English (San Francisco)
July 11:	Basic Sales and Use Tax Seminar in English (Salinas)
July 16:	Basic Sales and Use Tax Seminar in English (Oakland)
July 17:	Basic Sales and Use Tax Seminar in Chinese (Oakland)
July 18:	Basic Sales and Use Tax Seminar in Spanish (Oakland)
July 23:	Basic Sales and Use Tax Seminar in English (Santa Rosa)
July 29:	eFile Clinic in English (Oakland)
July 30:	eFile Clinic in English (Oakland)
July 30:	Basic Sales and Use Tax Seminar in English (Fairfield)
July 31:	eFile Clinic in English (Oakland)

ONLINE TUTORIALS AVAILABLE 24/7

Want more information on how to eFile with the BOE? A helpful [eFile Video Tutorial](#) is now available to assist taxpayers in fulfilling their tax obligation.

Don't have time to make a Basic Sales and Use Tax seminar in person? [Online BSUT tutorials](#) are now available to taxpayers, providing the information in a self-paced environment.

